MULTIMEDIA UNIVERSITY STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BBF2044 – BANK MANAGEMENT

(All sections / Groups)

12 OCTOBER 2017
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 2 pages with 4 Questions only.

2. Attempt **ALL FOUR (4)** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a. Discuss what are the advantages and disadvantages of using financial leverage in banks? Answer from a banker's point of view and followed by a regulator's point of view. (10 marks)

b. Provide a detail explanation of existing risk-based capital requirements. Is there a difference between default risk, interest rate risk and liquidity risk? (15 marks)

(Total 25 marks)

QUESTION 2

a. The determination of cash requirements is closely associated with a banks liquidity requirement. Explain why. (15 marks)

b. What do core deposits and volatile, or liquidity, or noncore, deposits mean? Explain how a bank might estimate the magnitude of each. (10 marks)

(Total 25 marks)

QUESTION 3

a. What can the bank do to increase the core deposits? What is the difference between tier 1 capital and tier 2 capital? Explain. (15 marks)

b. How does a bank make a profit on loans? Discuss the importance of loans in attracting a borrower's other business with financial institutions. (10 marks)

(Total 25 marks)

Continued...

QUESTION 4

a. Explain the way the banking industry is changing. Discuss why do we need the financial regulations? Highlight **five (5)** such regulations imposed by the central bank? (15 marks)

b. Bank Negara Malaysia (BNM) is an integral part of the Government's machinery in achieving the macroeconomic and social objectives of the country. Briefly explain any **five (5)** major objectives or functions of Bank Negara Malaysia (BNM). (10 marks)

(Total 25 marks)

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